

# COVINGTON & BURLING

1001 PENNSYLVANIA AVENUE NW  
WASHINGTON, DC 20004-2401  
TEL 202.682.6000  
FAX 202.682.5291  
WWW.COV.COM

WASHINGTON  
NEW YORK  
SAN FRANCISCO  
LONDON  
BRUSSELS

HARVEY M. APPLEBAUM  
TEL 202.552.5626  
FAX 202.770.5826  
HAPPLEBAUM@COV.COM

November 13, 2001

## BY ELECTRONIC & REGULAR MAIL

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17th Street, N.W.  
Washington, D.C. 20508

***Re: Comments on Possible Actions Under Section 203 --  
Certain Steel Products -- Exclusion Request  
(Special Quality Oil Field Grade Stainless Steel Bar)***

Dear Ms. Blue:

This letter is filed on behalf of Foroni Metals of Texas, Inc. ("FMT") in response to the Trade Policy Staff Committee's request for public comments on potential action to facilitate efforts by the domestic industries producing certain steel products to make a positive adjustment to import competition and provide greater economic and social benefits than costs. *See* 66 Fed. Reg. 54321, 54322-3 (Oct. 26, 2001). In particular, FMT is requesting that special quality oil field grade ("OFG") stainless steel bar be excluded from any action the Administration may take with respect to imported steel products under Section 203(a) of the Trade Act of 1974, as amended.

As discussed in detail below, most grades of this specialty product are not currently produced by the U.S. steel industry, and the few grades of OFG stainless steel bar produced in the United States are in short supply. Thus, any quantitative restrictions or additional duties imposed on this product would provide no benefit to the U.S. steel industry, but rather, would only injure members of the U.S. oil and gas industry and ultimately, U.S.

Ms. Gloria Blue  
November 13, 2001  
Page 2

consumers. Under these circumstances, FMT respectfully requests that the Administration exclude OFG stainless steel bar from the coverage of any import relief provided under Section 203.

FMT is a wholly-owned subsidiary of Foroni S.p.A., of Gorla Minore Italy. FMT's headquarters are located in Houston, Texas. The company imports OFG stainless steel bar produced by Foroni S.p.A. and sells the product to nationwide distributors. These distributors, in turn, resell the OFG stainless steel bar to the U.S. oil and gas industry.

The imported OFG stainless steel bar meets the highly demanding specifications of the oil & gas industry, including requirements regarding mechanical properties, heat treatment practices, testing standards and reporting criteria. Customers in this industry demand high-quality, specialty stainless steel bar that is suitable for use in the variety of oil field applications, which tax the metallurgical integrity of the product. This demand cannot be satisfied in the absence of imports. As an initial matter, U.S. steel producers have chosen not to produce a number of specialty OFG grades. The few grades produced in the United States are in short supply. It is hardly surprising that the domestic steel industry has chosen not to devote its limited resources to this small niche product. The Administration should insure that relief directed at the more standard, commodity-type grades of stainless steel bar not interfere with the supply of this critical input to the U.S. oil and gas industry.

Like other stainless steel bars, OFG stainless steel bars are imported under HTSUS subheading 7222.30.00.00. However, OFG grades have unique chemical compositions, mechanical properties and heat treatment requirements that distinguish them from other commodity-type grades of stainless steel bar. In this regard, FMT is requesting that any exclusion for OFG stainless steel bar include the six following grades: (1) AF.410 QDT, quenched and double tempered, (2) AF.420 modified QDT, quenched and double tempered, (3) AF.913, quenched and tempered, (4) AF.918, solution annealed, (5) AF.F51, solution annealed,

Ms. Gloria Blue  
November 13, 2001  
Page 3

and (6) AF.17400, solution annealed and double precipitation hardened. A chart is attached that lists the chemical composition of the six OFG grades, their yield strength and hardness and their respective AISI, UNS and ASTM numbers. This information should be sufficient to distinguish these six Foroni OFG grades from other commodity-type grades of stainless steel bar. FMT estimates that U.S. demand for all OFG stainless steel bar will be approximately 30,000,000 pounds in 2002.

It is FMT's information and belief that there is currently no U.S. production of AF.410 QDT, AF.420 modified QDT, AF.913, or AF.918. And indeed, the International Trade Commission Public Staff Report indicates supply shortages for certain OFG stainless steel bar including 410QDT/420MQDT round bar. *See* Staff Report to the Commission on Investigation No. TA-201-73 (Public Version), *U.S. International Trade Commission*, at STAINLESS 87-88 (2001). While FMT believes that at least one U.S. company -- Slater -- produces OFG stainless steel bar that is equivalent in chemical composition and condition to AF.F51 and AF.17400, these products are in short supply. Slater's standard production is limited to bars that are 8 inches in diameter or less that are sold in 12 feet random lengths.<sup>1</sup> In this regard, it should be observed that Foroni's standard production for AF.17400 or AF.F51 is bars of up to 12 inches in diameter with twenty-foot random lengths (sixteen to twenty-four foot range). Special orders are also accepted for larger diameters and, for some diameters, up to thirty-foot lengths. No U.S. producer has the capability to satisfy customer requirements for this range of diameter and length.

---

<sup>1</sup> It is unclear whether the Slater production is truly of U.S. origin since it is FMT's information and belief that all of the melting for the Slater product takes place in Canada.

Ms. Gloria Blue  
November 13, 2001  
Page 4

FMT is aware that some members of the domestic industry have asserted that they are capable of producing some OFG products.<sup>2</sup> It should be observed that two OFG products, AF.913, quenched and tempered, and AF.918, solution annealed, are proprietary to Foroni and are MR0175 NACE (National Association of Corrosion Engineers) approved. Although the other OFG grades produced by Foroni are not proprietary to the company, FMT is not aware of any evidence that indicates that U.S. producers are capable of producing the full range of OFG products in sufficient quantities to satisfy the oil and gas industry's demand for this critical input. In fact, FMT's customers of have advised that U.S. companies claiming to produce OFG product often will not even give a quote for the material. In this regard, it is FMT's understanding that distributors and end-users have made a concerted effort to locate U.S. sources for these products but have been unsuccessful.<sup>3</sup> The lack of availability of domestically-produced OFG products likely stems from the fact that U.S. steel manufacturers have chosen other venues and markets for their product mix. In reference to the OFG grades marketed by Foroni, U.S. producers have not been willing to devote the necessary resources to enter this specialized niche market.

In contrast to the situation in the United States, there are several other foreign manufacturers of OFG stainless steel bar, including: (1) Corus Engineering Steels Limited, 30

---

<sup>2</sup> See Prehearing Brief of Domestic Stainless Steel Industry: Certain Steel Products, at 4 (Oct. 29, 2001). The brief asserts that domestic producers "are capable" of manufacturing AISI 410 QDT; AISI 420; Super 13 Chrome Heat Treated; and AISI 630 17/4 PH DBH. See *id.* It acknowledges, however, that they do not currently manufacture all four of the grades. Moreover, they have made no commitment to devote the resources necessary to developing capacity in this specialized niche area in the event that Section 203 relief is granted.

<sup>3</sup> It is FMT's understanding that various distributors and end users will be submitting letters confirming this point and supporting an exclusion for OFG stainless steel bar. See also, Letter from Howard C. Smith, Director of Business Development and Engineering, *Earle M. Jorgensen Company*, to Fred Fischer, *U.S. International Trade Commission* (Jan. 11, 2001) (stating that OFG stainless steel bar is not produced in sufficient quantities by any U.S. steel producer); Letter from Dan Benditz, Chief Operating Officer, *Continental Casing Corporation*, to Fred Fischer, *U.S. International Trade Commission* (Jan. 17, 2001) (same).

**COVINGTON & BURLING**

Ms. Gloria Blue  
November 13, 2001  
Page 5

Millbank, London, SW1P 4WY, United Kingdom, (2) BGH Edelstahl Freital GmbH, Am Stahlwerk 1, 01705 Freital, Germany, and (3) Atlas Specialty Steels, One Centre Street, P.O. Box 1000, Welland, Ontario, Canada, L3B 5R7. It should be observed that each of these companies manufacturer a different mix of OFG stainless steel bar. Even more importantly, it should be emphasized that the OFG grades are not interchangeable with each other and that there may be no optimal substitutes for a particular grade. Rather each OFG grade is specially tailored to satisfy a specific need of the U.S. oil & gas industry.

In summary, OFG stainless steel bars are a critical input of the U.S. oil and gas industry. Most grades of this specialty product are not produced by the U.S. steel industry, and the few grades of OFG stainless steel bar produced in the United States are in short supply. Moreover, there are no optimal and cost effective U.S.-produced substitute products in the niche market. Under these circumstances, Foroni respectfully requests that the Administration exclude special quality oil field grade stainless steel bars from the coverage of any import relief provided under Section 203 or, in the alternative, that the remedy adopted be structured so as not to impede the flow of these critical products to the United States.

Sincerely yours,

Harvey M. Applebaum  
David R. Grace